

# Where Does the Money Go?

## Federal Spending on Young American Children (2016-2017)

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### INTRODUCTION

A consensus is growing in the United States that our government under-invests in our children's first years. Early childhood from age 0-8 is a time of tremendous brain development and skill formation that sets kids on a successful path to adulthood. As researchers evaluate and assess the needs of the United States' most vulnerable children, they have increased their focus on and support for federal spending on American children. Research has found that social spending on early childhood pays for itself in better long-run outcomes.

Yet much remains unknown about how much money flows to families with young children, and to which families the money goes. This project provides a comprehensive look at social spending by the federal government on ages 0-8 in 2014 and breakdowns of program spending by income.

### DATA & METHODS

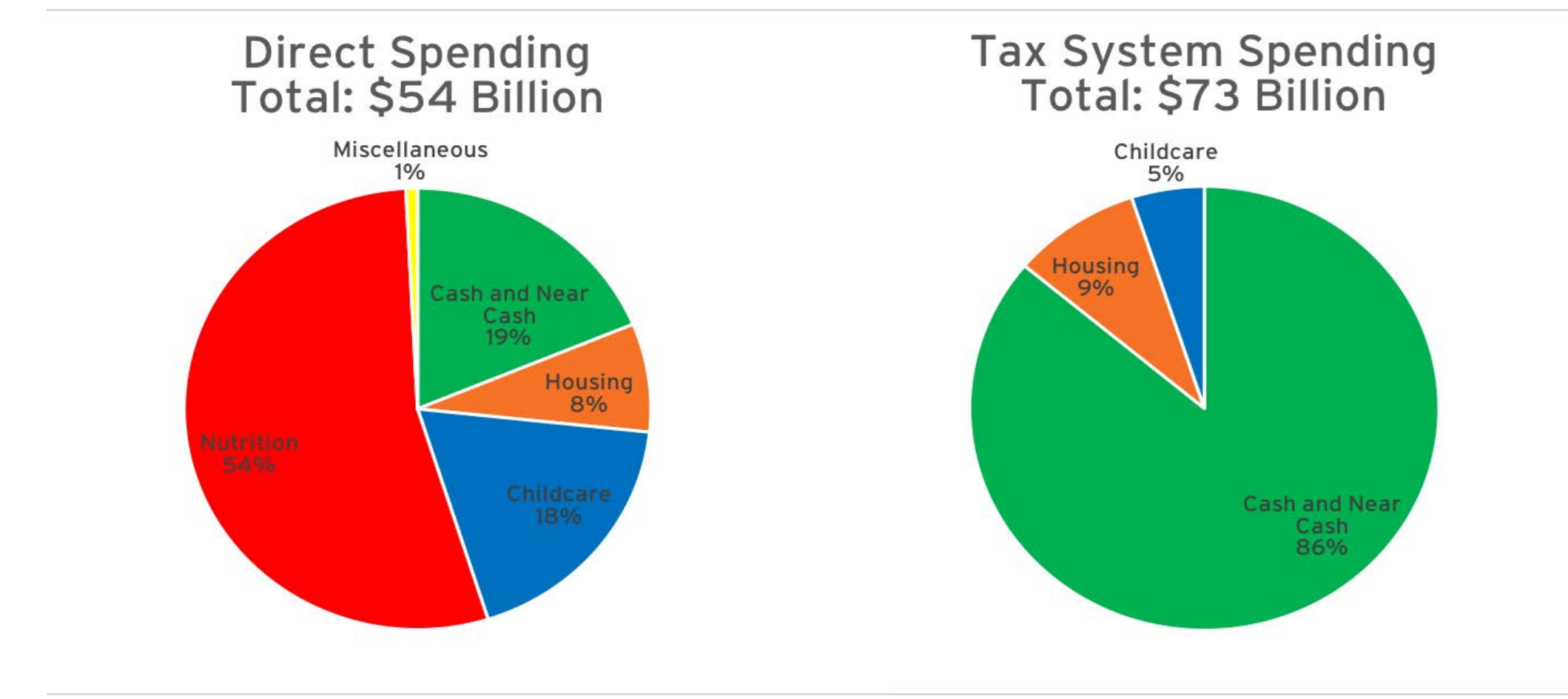
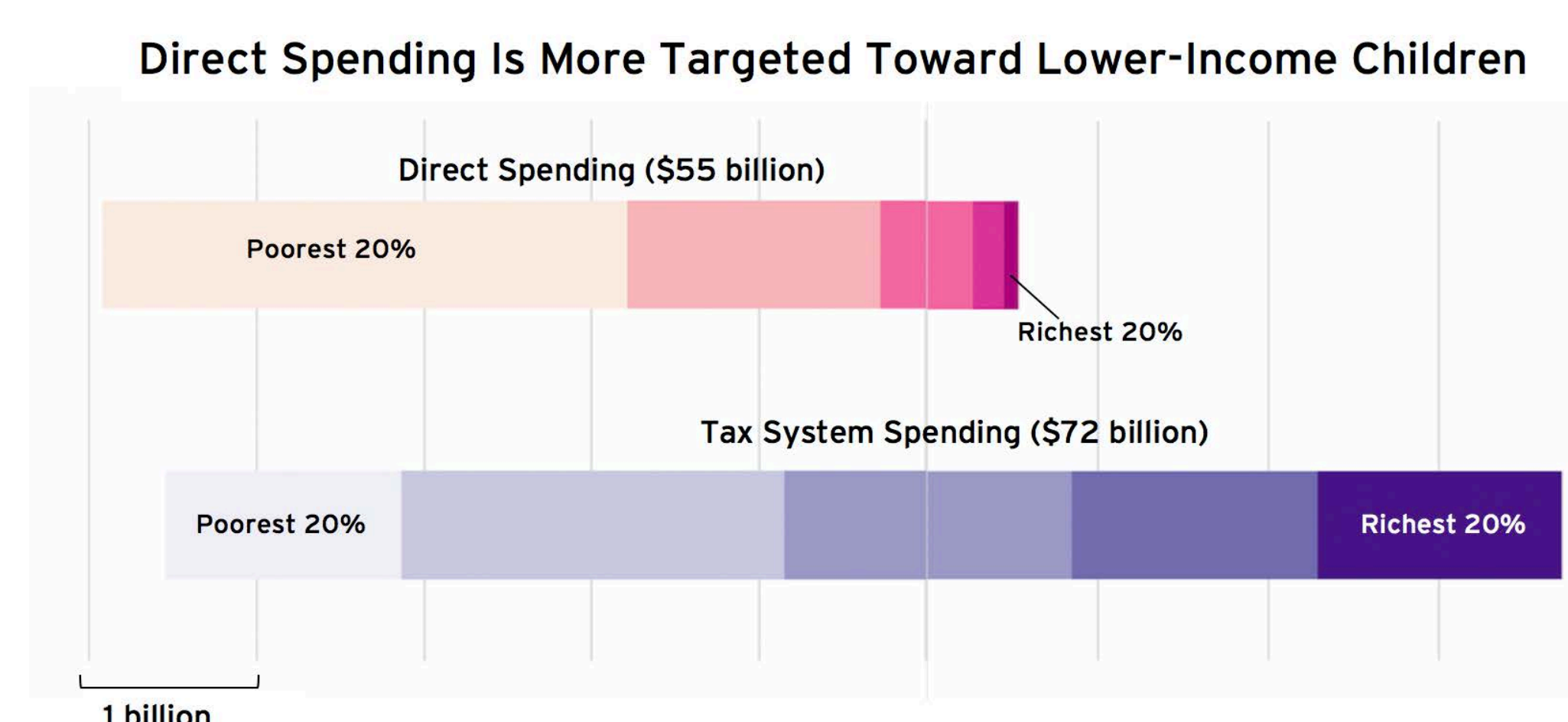
We focused on four main categories of spending: cash, childcare, housing, and nutrition. We made sure to account for *all* dollars, whether they come to families through programs such as cash welfare and public housing, or through tax subsidies such as the Earned Income Tax Credit.

Most of the program spending data that we needed for this project did not previously exist, so we had to calculate multipliers to divide total program spending by income level and age. Our starting numbers came from sources including the Survey for Income and Program Participation (SIPP), the Tax Policy Center, IPUMS, and the US Federal Budget.

### RESULTS

Tax system spending exceeds direct social spending on young children, at \$73B versus \$54B.

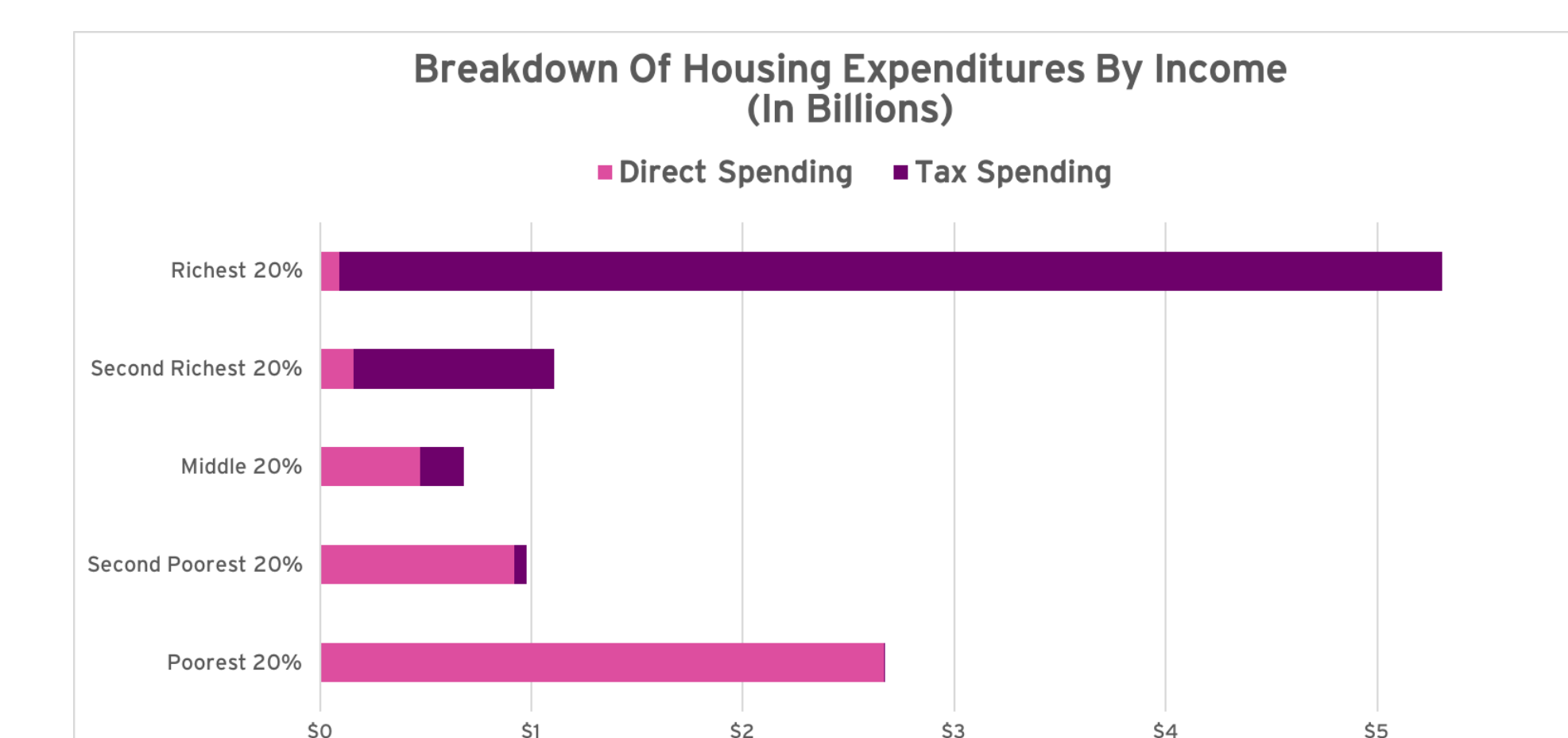
- The poorest 20% are the only group that receive most of their social benefits through direct programs.
- The richest 20% receive 94% of their social benefits through the tax system.



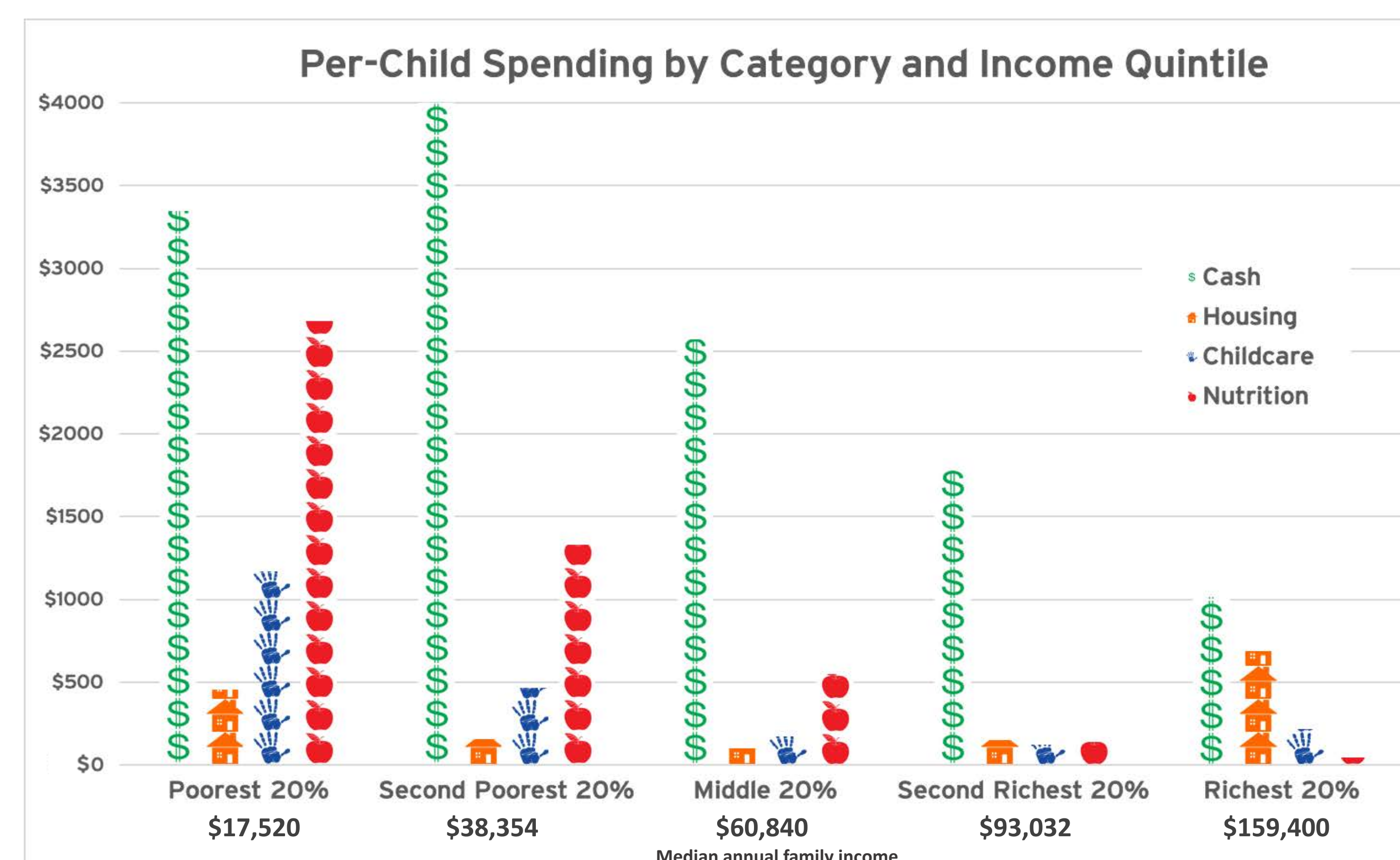
Tax system spending has significantly less strings attached—the majority of spending is through cash programs that give recipients more flexibility in use. Because the majority of government expenditures on the rich come through the tax system, the rich have much more freedom than the poor to spend their government dollars however they choose.

Additionally, the federal government spends almost \$3 billion more on housing for young children in the richest 20% (\$5.2 billion) than it does on the poorest 20% (\$2.3 billion).

- This is due primarily to the home mortgage interest deduction. Since richer children are more likely to live in expensive homes, they benefit far more from this tax program than poorer children.



### CONCLUSION & NEXT STEPS



Even though the richest 20% of children receive the least amount of money, the government still spends almost \$2000 annually on each child in that income range. Meanwhile, only 25% of kids eligible for federal housing assistance receive it, and there are waiting lists for Head Start and child care subsidies as.

If we reallocated the money spent on the richest 20% of children toward programs that benefit the poorest, we could provide Head Start, child care subsidies, *and* housing subsidies to every young child who needs them. The first step in creating and analyzing new policies is understanding where the money currently goes.

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